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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2012 JUN 25 P 4: 34

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GARY PIERCE, Chairman 4

BOB STUMP SANDRA D. KENNEDY

PAUL NEWMAN

BRENDA BURNS

AZ CORP COMMISSION DOCKET CONTROL

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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY'S DISTRICTS.

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT AND ITS SUN CITY WEST WASTERWATER DISTRICT, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission DOCKETED

JUN 25 2012



DOCKET NO. SW-01303A-09-0343

CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.'S APPLICATION FOR REHEARING / RECONSIDERATION OF DECISION NO. 73227

Pursuant to A.R.S. § 40-253, Corte Bella Country Club Association, Inc. ("Corte Bella"), by and through undersigned counsel, hereby files this Application for Rehearing / Reconsideration of Decision No. 73227.

I. INTRODUCTION

The Commission (via a 3-2 vote) recently approved Decision No. 73227 and ordered the deconsolidation of the Anthem / Agua Fria Wastewater District. In doing so, the Commission expressly rejected the ALJ's Recommended Opinion and Order ("ROO") that provided the following:

Deconsolidation of the Anthem/Agua Wastewater District as proposed in the Compliance Application would not correctly assign cost responsibility for all ratemaking components, and is therefore not in the public interest at this time.

At the Open Meeting on May 22, 2012, the Commission took the position that deconsolidation was <u>required</u> at the conclusion of this proceeding – due to the settlement agreement between Anthem Community Council ("Anthem"), RUCO, Staff and Arizona-American at the Opening Meeting on December 15, 2010 (the "Settlement Agreement"). Specifically, the Commission stated the following:

Moreover, even if we were to set aside our desire to establish rates on cost causation principles, we believe deconsolidation of the Anthem wastewater district would be appropriate in this case in order to preserve the integrity of settlement negotiations that occur in Commission proceedings. In our December 15, 2010 Open Meeting, we encouraged the parties to negotiate the settlement of contentious legal and equitable issues involving the disputed refund payments that the Company paid to Pulte. As part of the settlement agreement that was ultimately reached, Anthem surrendered several arguments against recognizing the disputed refund payments to Pulte for ratemaking purposes. Anthem's willingness to do so was based on the gains Anthem would make in other areas under the settlement agreement, including the timely

deconsolidation of the Anthem/Agua Fria Wastewater District. The record suggests that deconsolidation of the Anthem/Agua Fria Wastewater District was vital to Anthem's willingness to support the settlement as a complete package. Therefore, in order to preserve the integrity of the settlement negotiations that occur in Commission proceedings, we believe it is in the public interest to deconsolidate Anthem from the Anthem / Agua Fria Wastewater District at this time.

Decision No. 73227 at 31.

Corte Bella respectfully disagrees with the Commission's position. Namely, by considering deconsolidation at the hearing in November 2011, Corte Bella believes the Commission did preserve the integrity of those settlement negotiations. Decision No. 72047 did <u>not</u> obligate the Commission to approve deconsolidation in this proceeding.

Furthermore, the Commission's approval of Decision No. 73227 violates the due process rights of Agua Fria customers (including Corte Bella) because (i) Agua Fria customers were <u>not</u> a party to the Settlement Agreement that effectively increased wastewater rates by 137.9% and (ii) Agua Fria customers did <u>not</u> receive notice of the deconsolidation and resulting 139.7% increase in wastewater rates until Arizona-American filed its Compliance Application on April 1, 2011.

Agua Fria customers had no opportunity to participate in the settlement negotiations that occurred in December 2010 and led to Decision No. 72047. The public notice provided to Agua Fria customers noted an 81.8% increase in wastewater rates (not a 139.7% increase). *See Exhibit A (pages 5-8)*

Based on the foregoing, the Commission should grant this application for a rehearing and reconsider the portion of Decision No. 73227 that orders deconsolidation of

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the Anthem / Agua Fria Wastewater District.

II. THE COMMISSION WAS NOT REQUIRED TO DECONSOLIDATE

On January 6, 2011, the Commission issued Decision No. 72047. The Decision specifically ordered the following:

> The docket in the instant proceeding is to remain open for the sole purpose of considering the design and implementation of stand-alone revenue requirements and rate designs as agreed to in the settlement reached during the Open Meeting for the Anthem Waster District and Agua Fria Wastewater District as soon as possible.

See Decision No. 72047, Page 84.

The clear purpose of this proceeding was to consider (not implement) the proposed deconsolidation of the Anthem / Agua Fria Wastewater District. The Commission did not "blindly" approve deconsolidation in Decision No. 72047 – as Anthem suggests.

In this regard, the Agua Fria customers (including Corte Bella) were not a party to the Settlement Agreement that effectively increased their wastewater rates by 137.9%. Agua Fria customers were <u>not</u> provided with notice and an opportunity to comment on the Settlement Agreement before it was adopted by the Commission as part of Decision No. 72047. Clearly, the Agua Fria customers would have objected to the Settlement Agreement (but were not given an opportunity to do so).

In addition, Agua Fria customers did not receive notice of the deconsolidation and resulting 139.7% increase in wastewater rates. The public notice provided to Agua Fria customers noted an 81.8% increase in wastewater rates (not a 139.7% increase as a result

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of deconsolidation). See Exhibit A (pages 5-8). It was not until April 1, 2011 (nearly four months after the Settlement Agreement and Decision No. 72047) that Agua Fria customers received notice of the deconsolidation and resulting 139.7% increase in wastewater rates. See Exhibit B (pages 6-8).

Simply put, the Commission was not required to deconsolidate the Anthem / Agua Fria Wastewater District as part of the Settlement Agreement and Decision No. 72047. The ALJ, Commission Staff and EPCOR all agree. Corte Bella continues to believe that the ROO was correct and that deconsolidation should not be approved.

III. **CONCLUSION**

Based on the foregoing, Corte Bella respectfully requests that the Commission grant this application for a rehearing and reconsider the portion of Decision No. 73227 that orders deconsolidation of the Anthem / Agua Fria Wastewater District.

DATED this 25 day of June 2012.

MACK DRUCKER & WATSON, P.L.C.

Troy B. Stratman, Esq.

3200 North Central Avenue, Suite 1200

Phoenix, Arizona 85012

Attorney for Intervenor Corte Bella Country Club Association, Inc.

ORIGINAL and 13 copies filed this 25 day of June 2012, with:

Docket Control Arizona Corporation Commission 1200 West Washington Street Phoenix, Arizona 85007

Arizona Corporation Commission 1200 W. Washington St.

1	Phoenix, Arizona 85007
2	Craig A. Marks
3	Craig A. Marks, PLC
4	10645 N. Tatum Blvd., Suite 200-676
5	Phoenix, Arizona 85028 Attorney for Arizona-American Water Co.
6	
7	Joan S. Burke Law Office of Joan S. Burke
	1650 N. First Ave.
8	Phoenix, Arizona 85003
9	Lawrence V. Robertson, Jr.
10	P.O. Box 1448
11	Tubac, Arizona 85646-1448
12	Bradley J. Herrema
13	Robert J. Saperstein
14	Brownstein Hyatt Farber Schreck, LLP 21 E. Carillo St.
15	Santa Barbara, CA 83101
16	W.R. Hansen
17	12302 W. Swallow Drive
18	Sun City West, Arizona 85375
19	Thomas M. Broderick
20	Arizona-American Water Company
21	2355 W. Pinnacle Peak Rd., Suite 300 Phoenix, Arizona 85027
22	,
	Sun City Grand Community Assoc. Palm Center
23	19726 N. Remington Dr.
24	Surprise, Arizona 85374
25	Larry Woods
26	Property Owners and Residents Assoc.
27	13815 E. Camino Del Sol
20	Sun City West, Arizona 85735-4409

1	Pauline A. Harris Henry
2	Russell Ranch Homeowners Assoc., Inc.
3	21448 N. 75th Avenue, Suite 6 Glendale, Arizona 85308
	Gioridate, Firizona 63366
4	Larry D. Woods
4 5 6	15141 W. Horseman Lane Sun City West, Arizona 85375
7	Jay Shapiro
8	Patrick Black Fennemore Craig, P.C.
9	3003 North Central Avenue, Suite 2600
10	Phoenix, Arizona 85012
11	Philip H. Cook
12	10122 W. Signal Butte Circle Sun City, Arizona 85373
13	
14	Desi Howe Anthem Golf & Country Club
15	2708 W. Anthem Club Dr.
16	Anthem, Arizona 85086
17	Gary Verburg, City Attorney
18	Daniel L. Brown, Asst. City Attorney City of Phoenix
19	200 W. Washington, Suite 1300
20	Phoenix, AZ 85003
21	Jason D. Gellman
22	Roshka, DeWulf & Patten, PLC 400 E. Van Buren St., Suite 800
23	Phoenix, AZ 85004
24	Frederick Botha
25	23024 N. Giovota Drive
26	Sun City West, Arizona 85735
	1

EXHIBIT "A"

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

2 COMMISSIONERS 7899 SEP 24 P 2: 08 3 KRISTIN K. MAYES - Chairman AZ COR? COMMESSION BOCKET CONTROL GARY PIERCE 4 SFP 24 2739 PAUL NEWMAN SANDRA D. KENNEDY 5 אם משרבואסטמ BOB STUMP 6 DOCKET NO. W-01303A-09-0343 7 IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A 8 DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER 11 DISTRICT. 12 DOCKET NO. SW-01303A-09-0343 IN THE MATTER OF THE APPLICATION OF 13 ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR 14 VALUE OF ITS UTILITY PLANT AND 15 PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR 16 UTILITY SERVICE BY ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT, ITS SUN CITY WASTEWATER DISTRICT AND ITS SUN CITY LATE CASE 17 PROCEDURAL ORDER WEST WASTEWATER DISTRICT. 18 BY THE COMMISSION: 19 On July 2, 2009, Arizona-American Water Company ("Arizona-American" or "Company" 20 filed with the Arizona Corporation Commission ("Commission") an application for rate increases for 21 its Anthem Water District, Sun City Water District, Anthem/Agua Fria Wastewater District, Sun Cit 22 Wastewater District and Sun City West Wastewater District. 23 On July 13, 2009, Arizona-American filed a supplement to its application. 24 On August 21, 2009, Arlzona-American filed an additional supplement to its application. 25 On August 24, 2009, the Commission's Utilities Division ("Staff") filed a Letter (26 Sufficiency indicating that Arizona-American has satisfied the requirements of Arizon 27 Administrative Code R14-2-103 and classifying the Company as a Class A utility. 28

8/TWOLFE/AZAMERICAN-090343/release.po

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On August 26, 2009, a procedural order was issued setting a procedural conference to provid an opportunity for discussion of a hearing schedule, public notice, and other procedural issues prior 1 the issuance of a rate case procedural order.

On August 27, 2009, the Residential Utility Consumer Office ("RUCO") filed an Applicatio to Intervene, which was granted at the procedural conference held on September 3, 2009.

A procedural conference commenced on September 2 2009, was recessed to allow the partie to discuss procedural issues prior to reconvening. The procedural conference reconvened an concluded on September 3, 2009. Counsel for Azizona-American, RUCO and Staff appeared throug counsel and discussed the hearing schedule, public notice, and other procedural issues. RUCO an Staff were in general agreement with the Company's proposed hearing schedule, which does no include the pre-filing of rejoinder testimony by the Company. The Company agreed to prepare form of public notice of the application in cooperation with RUCO and Staff, and to file it fo consideration.

On September 14, 2009, Arizona-American filed a proposed form of notice as was discusse at the September 2 and 3, 2009 procedural conference.

Pursuant to A.A.C. R14-3-101, the Commission now issues this procedural order to gover the preparation and conduct of this proceeding.

IT IS THEREFORE ORDERED that the hearing in the above-captioned matter is hereb scheduled to commence on April 19, 2010, at 10:00 a.m., or as soon thereafter as is practicable, ϵ the Commission's offices, 1200 West Washington Street, Hearing Room #1 Phoenix, Arizona 85007

IT IS FURTHER ORDERED that a pre-hearing conference shall be held on April 16, 2010 commencing at 1:30 p.m., at the Commission's Phoenix offices, for the purpose of schedulin witnesses and the conduct of the hearing.

IT IS FURTHER ORDERED that the Staff Report and/or any testimony and associate exhibits to be presented at hearing on behalf of Staff on issues other than rate design shall b reduced to writing and filed on or before February 22, 2010.

IT IS FURTHER ORDERED that any testimony and associated exhibits to be presented a

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hearing on behalf of intervenors on issues other than rate design shall be reduced to writing an filed on or before February 22, 2010.

IT IS FURTHER ORDERED that the Staff Report and/or any testimony and associate exhibits to be presented at hearing on behalf of Staff on rate design issues shall be reduced t writing and filed on or before March 8, 2010.

IT IS FURTHER ORDERED that any testimony and associated exhibits to be presented a hearing on behalf of intervenors on rate design issues shall be reduced to writing and filed on a before March 8, 2010.

IT IS FURTHER ORDERED that any rebuttal testimony and associated exhibits to be presented at hearing by Arizona-American shall be reduced to writing and filed on or before March 22, 2010.

IT IS FURTHER ORDERED that any surrebuttal testimony and associated exhibits to b presented by Staff or intervenors shall be reduced to writing and filed on or before April 12, 2010.

IT IS FURTHER ORDERED that the Company's witnesses may provide rejoinder testimon orally at the hearing.

IT IS FURTHER ORDERED that all filings shall be made by 4:00 p.m. on the date the filing is due, unless otherwise indicated above.

IT IS FURTHER ORDERED that any objections to testimony or exhibits that have bee prefiled as of April 12, 2010, shall be made before or at the April 16, 2010, pre-hearin conference.

IT IS FURTHER ORDERED that each party shall individually prepare, and bring to the pre-hearing conference, copies of an issues matrix setting forth all disputed issues in the case Each party's matrix shall indicate the position of each party on each disputed issue and shall indicate whether the disputed issue remains in dispute or has been resolved, in prefile testimony or otherwise.

IT IS FURTHER ORDERED that all testimony filed shall include a table of contents whic lists the issues discussed.

IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements t

prefiled testimony, with the exception of rejoinder testimony, shall be reduced to writing and filed n later than five calendar days before the witness is scheduled to testify. Substantive correction: revisions, or supplements to prefiled rejoinder testimony shall be reduced to writing and presented o the first day of bearing.

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IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of th prefiled testimony of each of their witnesses and shall file each summary at least two working day before the witness is scheduled to testify.

IT IS FURTHER ORDERED that copies of summeries shall be served upon the Administrative Law Judge, the Commissioners, and the Commissioners' aides as well as the partic of secord.

IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-10. except that all motions to intervene must be filed on or before January 5, 2010.

IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules an regulations of the Commission, except that until February 26, 2010, any objection to discover requests shall be made within 7 calendar days of receipt and responses to discovery requests shall t made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be mad within 5 calendar days and responses shall be made within 7 calendar days. The response time ma be extended by mutual agreement of the parties involved if the request requires an extensiv compilation effort.

IT IS FURTHER ORDERED that for discovery requests, objections, and enswers, if receiving party requests service to be made electronically, and the sending party has the technical capability to provide service electronically, service to that party shall be made electronically.

IT IS FURTHER ORDERED that, in the alternative to filing a written motion to comp discovery, any party aceking resolution of a discovery dispute may telephonically contact ti Commission's Hearing Division to request a date for a procedural hearing to resolve the discover dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; an

The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. ME will be considered as received the next business day.

that the party making such a request shall forthwith contact all other parties to advise them of the hearing date and shall at the hearing provide a statement confirming that the other parties were contacted.²

IT IS FURTHER ORDERED that any motions which are filed in this matter and which as not ruled upon by the Commission within 20 calendar days of the filing date of the motion shall be deemed denied.

IT IS FURTHER ORDERED that any responses to motions shall be filled within five calendardays of the filling date of the motion.

IT IS FURTHER ORDERED that any replies shall be filed within five calender days of the filing date of the response.

IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing it this metter, in the following form and style with the heading in no less than 18-point bold type and the body in no less than 10-point regular type:

PUBLIC NOTICE OF HEARING ON THE APPLICATION OF ARIZONA-AMERICAN
WATER COMPANY FOR RATE INCREASES FOR UTILITY SERVICE IN ITS
ANTHEM WATER DISTRICT, SUN CITY WATER DISTRICT, ANTHEM/AGUA FRIA
WASTEWATER DISTRICT, SUN CITY WASTEWATER DISTRICT, AND SUN CITY
WEST WASTEWATER DISTRICT,
(DOCKET NOS. W-01303A-09-0343 AND SW-01303A-09-4343)

Summary
On July 2, 2009, Arizona-American Water Company, Inc. ("Arizona-American" or
"Company") filed an application with the Arizona Corporation Commission
("Commission") for permanent revenue increases for its following Districts: Anthem
Water District, Sun City Water District, Anthem/Agua Fria Wastewater District, Sun
City Wastewater District and Sun City West Wastewater District.

[COMPANY INCLUDE APPROPRIATE PARAGRAPH(S) FROM THE FOLLOWING FIVE PARAGRAPHS:

For its Anthem Water District, Arizona-American's application requests an increase of approximately \$7,268,177, or 100.4 percent over current revenues. For average consumption (9,616 gallons per month) 5/8 x 3/4-inch meter residential customers of the Anthem Water District, Arizona-American's request would increase monthly rates by 100.4 percent or \$37.37. If you would like the Company to calculate the impact of its proposal on your account based on your consumption, please contact its local office at azrates@amwater.com.

The parties are encouraged to attempt to actile discovery disputes through informal, good-faith negotiations before seaking Commission resolution of the controversy.

For its Sun City Water District, Arizona-American's application requests an annual revenue increase of approximately \$2,531,127, or 27.7 percent over current revenues. For average consumption (7,954 gallons per month) 5/8 x 3/4-inch meter residential customers of the Sun City Water District, Arizona-American's request would increase monthly rates by 27.7 percent or by \$4.64. If you would like the Company to calculate the impact of its proposal on your account based on your consumption, please contact its local office at azzates@amwater.com.

For its Anthem/Agua Fria Wastewater District, Arizona-American's application requests an annual revenue increase of approximately \$7,060,837, or \$1.8 percent over current revenues. For average usage (5,814 gallons per month) residential customers of the Anthem/Agua Fria Wastewater District, Arizona-American's request would increase monthly rates by \$1.8 percent or by \$39.26. If you would like the Company to calculate the impact of its proposal on your account based on your usage, please contact its local office at azrates@amwater.com.

For its Sun City Wastewater District, Arizona-American's application requests an annual revenue increase of approximately \$2,156,882, or 40.8 percent over current revenues. For residential customers of the Sun City Wastewater District, Arizona-American's request would increase monthly rates by 40.8 percent or by \$5.58. If you would like the Company to calculate the impact of its proposal on your account based on your usage, please contact its local office at azzates@amwater.com.

For its Sun City West Wastewater District, Arizona-American's application requests an annual revenue increase of approximately \$1,480,756, or 26.2 percent over current revenues. For residential customers of the Sun City West Wastewater District, Arizona-American's request would increase monthly rates by 26.2 percent or by \$6.54. If you would like the Company to calculate the impact of its proposal on your account based on your usage, please contact its local office at azzates@answater.com.

The Commission's Utilities Division Staff ("Staff") is in the process of auditing and analyzing the application, and has not yet made any recommendations regarding Arizona-American's proposed rate increase. The Residential Utility Consumer Office ("RUCO") is also a party to this proceeding and will also analyze the application and make recommendations to the Commission. The Commission is not bound by the parties' proposals, but will determine the appropriate relief to be granted based on its consideration of all the evidence presented. The rates approved by the Commission may be higher or lower than the rates requested by Arizona-American.

How You Can View or Obtain a Copy of the Rate Proposal
Copies of the application and proposed rates are available from Arizona-American
[COMPANY INSERT HOW AND WHERE AVAILABLE FOR EACH
DISTRICT AS APPROPRIATE FOR EACH MAILING/PUBLICATION] and at
the Commission's Docket Control Center at 1200 West Washington, Phoenix,
Arizona, for public inspection during regular business hours and on the Internet using
the Commission's e-Docket function, which is located in the lower right hand comer
on the Commission's website homepage, www.azgg.gov.

Artzona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning April 19, 2010, at 10:00 a.m., at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizons. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. W-01303A-09-0343 et al. to Arizona Corporation Commission, Consumer Services

Section, 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azec.gov/divisions/utilities/forms/public_comment.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this ducket. However, all documents filed in this docket are available on line (usually within 24 hours after docketing) using the Commission's e-Docket function, which is located in the lower right hand corner of the Commission's website homepage, www.azcc.gov. RSS feeds are also available using the Commission's e-Docket function.

About Intervention
The law provides for an open public bearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than January 8, 2010, and send a copy of the motion to Arizona-American or its counsel and to all parties of record. Your motion to intervene must contain the following:

- Your name, address, and telephone number, and the name, address, and 1. telephone number of any party upon whom service of documents is to be made, if not yourself;
- A short statement of your interest in the proceeding (e.g., a customer of 2. Arizona-American, a shareholder of Arizona-American, etc.); and
- 3. A statement certifying that you have mailed a copy of the motion to intervene to Arizona-American or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before January 8, 2010. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, go to http://www.azoo.gov/divisions/utilities/forms/interven.pdf. The granting of intervention, among other things, entitles a party to present swom evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, E-mail SABernal@azcc.gov, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

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IT IS FURTHER ORDERED that Arizona-American shall mail to each of its customers is each affected District a copy of the above notice that includes the appropriate paragraph(s) regarding the effect of Arizona-American's proposed rate increase for the District(s), as a bill insert beginning with the first billing cycle in November, 2009, and shall cause a copy of such notice to be published at least once in a newspaper of general circulation in the services territory of each of the affects Districts, with publication to be completed no later than November 13, 2009.

IT IS FURTHER ORDERED that Arizona-American shall file certification (mailing/publication as soon as practicable after the mailing/publication has been completed.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing/publication of same, notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rule of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admissio pro hac vice.

IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the Rules of the Arizona Supreme Court). Representation before the Commission includes appearance at all hearings and procedural conferences, as well as all Open Meetings for which the matter is scheduled for discussion, unless counsel has previously been granted permission to withdraw by the Administrative Law Judge or the Commission.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unsuthorize Communications) continues to apply to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that the time periods specified herein shall not be extended pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

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1 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, smen 2 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling. 3 hearing. day of September, 2009. 5 б ADMINISTRATIVE LAW JUDGE 7 8 Copies of the foregoing mailed/delivered This day of September, 2009 to: 9 10 Thomas H. Campbell 11 Michael T. Hallam LEWIS AND ROCA LLP 12 40 N. Central Avenue Phoenix, AZ 85004 13 Attorneys for Arizona-American Water Co. 14 Daniel Pozefsky RUCO 15 1110 W. Washington St., Suite 220 Phoenix, AZ 85007 16 Janice Alward, Chief Counsel 17 Legal Division ARIZONA CORPORATION COMMISSION 18 1200 West Washington Street Phoenix, AZ 85007 19 Steve Olea, Director 20 Utilities Division ARIZONA CORPORATION COMMISSION 21 1200 West Washington Street Phoenix, AZ 85007 22 ARIZONA REPORTING SERVICE, INC. 23 2200 North Central Avenue, Suite 502 Phoenix, AZ 85004 24 25 By: Debbi Person 26 Assistant to Teena Wolfe 27 28

EXHIBIT "B"

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman

BOB STUMP

SANDRA D. KENNEDY

PAUL NEWMAN BRENDA BURNS

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2011 APR 27 P 2: 39

AZ CORP COMMISSION DOCKET CONTROL

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7 IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A

8 DETERMINATION OF THE CURRENT FAIR

9 VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS

10 RATES AND CHARGES BASED THEREON FOR

UTILITY SERVICE BY ITS ANTHEM WATER

DISTRICT AND ITS SUN CITY WATER DISTRICT, AND POSSIBLE RATE

12 CONSOLIDATION FOR ALL OF ARIZONA-

AMERICAN WATER COMPANY'S DISTRICTS.

IN THE MATTER OF THE APPLICATION OF

14 ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A

15 DETERMINATION OF THE CURRENT FAIR

VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS

16 RATES AND CHARGES BASED THEREON FOR

17 UTILITY SERVICE BY ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT, ITS SUN CITY

18 WASTEWATER DISTRICT AND ITS SUN CITY WEST WASTEWATER DISTRICT, AND

19 POSSIBLE RATE CONSOLIDATION FOR ALL

OF ARIZONA-AMERICAN WATER
COMPANY'S DISTRICTS.

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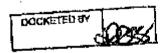
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DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission
DOCKETED

APR 2 7 2011



DOCKET NO. SW-01303A-09-0343

PROCEDURAL ORDER SETTING HEARING FOR CONSIDERATION OF COMPLIANCE APPLICATION

BY THE COMMISSION:

On July 2, 2009, Arizona-American Water Company ("Arizona-American," or "Company" filed with the Arizona Corporation Commission ("Commission") an application for rate increases fo its Anthem Water District, Sun City Water District, Anthem/Agua Fria Wastewater District, Sun City Wastewater District, and Sun City West Wastewater District.

Intervention in this matter was granted to the Residential Utility Consumer Office ("RUCO"); Anthem Community Council ("Council"); Sun City West Property Owners and Resident Association ("PORA"); W.R. Hansen; the Water Utility Association of Arizona; the Camelback Inn

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Sanctuary on Camelback Mountain, the Intercontinental Montelucia Resort and Spa, and it Scottsdale Cottonwoods Resort and Suites (collectively the "Resorts"); the Town of Paradise Valle; the Anthem Golf and Country Club; Marshall Magruder; DMB White Tank, LLC ("DMB"); Mashi LLC dba Corte Bella Golf Club; Larry D. Woods; and Philip H. Cook.

On January 6, 2011, the Commission issued Decision No. 72047 in these dockets. Decisio No. 72047 left the dockets open for the sole purpose of considering the design and implementation of stand-alone revenue requirements and rate designs for separate Anthem Wastewater and Agua Fri Wastewater districts as agreed to in the settlement reached by the Company, the Council, RUCO and the Commission's Utilities Division ("Staff") during the Open Meeting at which Decision No. 7204 was considered. Decision No. 72047 ordered the Company to file, by April 1, 2011, an application supporting consideration of stand-alone revenue requirements and rate designs for separate Anther Wastewater and Agua Pria Wastewater districts, and made the rates approved for the Anthem/Agu Fria Wastewater district interim, subject to change pursuant to a Commission determination on the Company's April 1, 2011 filing.²

On April 1, 2011, the Company filed its Compliance Application to Support Consideration c Stand-Alone Revenue Requirements and Rate Designs for the Anthem/Agua Fria Wastewater Distric ("Compliance Application"). The filing included direct testimony and exhibits concerning th separate revenue requirements and separate rate designs for new Anthem Wastewater and Agua Fri Wastewater districts on a stand-alone basis using the combined authorizations in Decision No. 72047

On April 4, 2011, a procedural order was issued setting a procedural conference to commence on April 19, 2011, in order to provide an opportunity for discussion of a procedural schedule, publication of the Compliance Application, and other procedural issues prior to the issuance of procedural order governing the processing of the Compliance Application.

On April 19, 2011, DMB filed a Notice of Substitution of Counsel.

On April 19, 2011, the procedural conference convened as scheduled. Appearances wer entered through counsel for the Company, the Council, Anthem Golf and Country Club, DMB

²⁸ Decision No. 72047 at 84, 121. The terms of the Agreement appear on pages 44-45 of Decision No. 72047. Decision No. 72047 at 121.

RUCO, and Staff. The parties discussed public notice issues and the timing of discovery and profiling testimony.

In the Compliance Application, the Company proposed that it be required to provide notic by first-class mail to each customer in the existing Anthem/Agua Fria Wastewater district, but that not be required to publish additional newspaper notice. The Company explained that given the larg number of Arizona-American water and wastewater districts in Phoenix's west valley are newspaper notices could unduly confuse customers in regard to whether the deconsolidatio proposed in the Compliance Application could affect them, and that notice by First-Class U.S. Ma would make it much more likely that affected customers will receive actual notice of the Complianc Application. At the procedural conference, differing views were offered on an appropriate means a noticing customers. The Council stated that further notice was not necessary; DMB indicated the notice should be given, and that newspaper publication of notice, in addition to mailed notice to individual customers, would provide notice to homeowners who might not be currently residing a their property; RUCO stated that notice is required, and that a bill insert notice would be sufficient and Staff stated that notice is not required by rule or statute, but that the public interest require additional notice.

The public interest requires that notice of the hearing on the Compliance Application b provided to all customers of the Company's Anthem/Agua Fria Wastewater district. As the Company stated, given the large number of Arizona-American water and wastewater districts in Phoenix's west valley area, newspaper notice could unduly confuse customers of other Arizona-American districts in regard to whether the deconsolidation proposed in the Compliance Application could affect them. It order to provide the widest possible, and clearest, notice of the hearing on the Compliance Application, the Company will be required to provide notice of the Compliance Application by First Class U.S. Mail to each customer in the existing Anthem/Agua Fria Wastewater district, and it addition, to provide notice by First-Class U.S. Mail to each homeowners' association in the existing Anthem/Agua Fria Wastewater district.

In discussion of the timing of the parties' filing of testimony on the Compliance Application the parties indicated that they would require 60 to 90 days to conduct initial discovery and to docke

their direct testimony.

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The Commission now issues this procedural order to govern the preparation and conduct t this proceeding.

IT IS THEREFORE ORDERED that the hearing in the above-captioned dockets on the Compliance Application to Support Consideration of Stand-Alone Revenue Requirements an Rate Designs for the Anthem/Agus Fria Wastewater District is hereby scheduled to commence of October 17, 2011, at 10:00 a.m., or as soon thereafter as practicable, at the Commission's officer 1200 West Washington Street, Hearing Room #1, Phoenix, Arizona 85007.

IT IS FURTHER ORDERED that that a pre-hearing conference shall be held on October Is 2011, commencing at 2:00 p.m., at the Commission's Phoenix offices, for the purpose of schedulin witnesses and the conduct of the hearing.

IT IS FURTHER ORDERED that the direct testimony and associated exhibits to b presented at hearing on behalf of Staff and intervenors shall be reduced to writing and filed on c before July 26, 2011.

IT IS FURTHER ORDERED that any rebuttal testimony and associated exhibits to b presented at hearing by the Company shall be reduced to writing and filed on or before August 23 2011.

IT IS FURTHER ORDERED that any surrebuttal testimony and associated exhibits to b presented by Staff and intervenors shall be reduced to writing and filed on or before Septembe 20, 2011.

IT IS FURTHER ORDERED that any rejoinder testimony and associated exhibits to b presented at hearing by the Company shall be reduced to writing and filed on or before Octobe 11, 2011,

IT IS FURTHER ORDERED that all filings shall be made by 4:80 p.m. on the date th filing is due.

IT IS FURTHER ORDERED that any objections to testimony or exhibits that have been prefiled as of October 5, 2011, shall be made before or at the October 14, 2011 prehearin; conference.

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witness is scheduled to testify.

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27 28 lists the issues discussed. IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements t

prefiled testimony shall be reduced to writing and filed no later than five calendar days before th

IT IS FURTHER ORDERED that all testimony filed shall include a table of contents which

IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of th prefiled testimony of each of their witnesses and shall file each summary at least two working day before the witness is scheduled to testify.

IT IS FURTHER ORDERED that copies of summaries shall be served upon the Administrative Law Judge, the Commissioners, and the Commissioners' sides as well as the partie of record.

IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-10! except that all motions to intervene must be filed on or before June 24, 2011.

IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules an regulations of the Commission, except that until August 10, 2011, any objection to discover requests shall be made within 7 calendar days of receipt and responses to discovery requests shall b made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be mad within 5 calendar days and responses shall be made within 7 calendar days. The response time mabe extended by mutual agreement of the parties involved if the request requires an extensiv compilation effort.

IT IS FURTHER ORDERED that for discovery requests, objections, and answers, if receiving party requests service to be made electronically, and the sending party has the technics capability to provide service electronically, service to that party shall be made electronically,

IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compe discovery, any party seeking resolution of a discovery dispute may telephonically contact th Commission's Hearing Division to request a date for a procedural hearing to resolve the discover-

The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. MS' will be considered as received the next business day.

dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; an that the party making such a request shall forthwith contact all other parties to advise them of the hearing date and shall at the hearing provide a statement confirming that the other parties wer contacted.4

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IT IS FURTHER ORDERED that any motions which are filed in this matter and which at not ruled upon by the Commission within 20 calendar days of the filing date of the motion shall b deemed denied.

IT IS FURTHER ORDERED that any responses to motions shall be filed within five calenda days of the filing date of the motion.

IT IS FURTHER ORDERED that any replies shall be filed within five calendar days of the filing date of the response.

IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing i this matter, in the following form and style with the heading in no less than 18-point bold type an the body in no less than 10-point regular type:

PUBLIC NOTICE OF HEARING ON THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY MADE IN COMPLIANCE WITH DECISION NO. 72047 TO SUPPORT CONSIDERATION OF STAND-ALONE REVENUE REQUIREMENTS AND RATE DESIGNS FOR THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT

Summery On April 1, 2011, Arizona-American Water Company ("Company") filed with the Arizona Corporation Commission ("Commission"), in compliance with Commission Decision No. 72047, an Application to Support Consideration of Stand-Alone Revenue Requirements and Rate Designs for the Anthem/Agua Fria Wastewater District ("Compliance Application"). The Commission ordered the Company to file the Compliance Application in Do. 72047, and kept the record open in that rate proceeding for the sole purpose of considering the design and implementation of stand-alone revenue requirements and rate designs for separate Anthem Wastewater and Agua Fria Wastewater districts as agreed to in the settlement reached by the Company, the Council, RUCO and the Commission's Utilities Division ("Staff") during the Open Meeting at which Decision No. 72047 was considered.

Decision No. 72047 approved a rate increase which resulted in an increase to \$67.97 per month for an average water usage (5,632 gallons/month) Anthem/Agua Fria

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http://image.azcc.gov/scripts/cgi/dwisdocket2.pl?COMMAND=4&SESSIONID=twLdNN... 5/22/2012

The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

Wastewater district customer with a 5/8 x 3/4-inch water meter. Under the proposal in the Compliance Application, the new monthly wastewater rates for an average water usage (5,814 gallons/month) residential customer with a 5/8 x 3/4-inch water meter in a stand-alone Anthem Wastewater district would decrease to \$51.95, and the new monthly wastewater rates for an average water usage (5,297 gallons/month) residential customer with a 5/8 x 3/4-inch water meter in a stand-alone Agua Fria Wastewater district would increase to \$108.34.

The Commission will determine the appropriate relief to be granted on the Compliance Application based on the evidence presented by all the parties. The rates approved by the Commission may be higher or lower than the rates proposed by the Company.

How You Can View or Obtain a Copy of the Compliance Application Proposal Copies of the Compliance Application and proposed deconsolidated rates are available from Arizona-American Water Company, [company address]; at [web pags]; at the Commission's Docket Control Center, 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours; and at the Commission's website www.azoc.gov using the e-Docket function, located at the bottom of the website homepage.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on the Compliance Application beginning October 17, 2011, at 10:00 a.m., at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. W-01303A-09-0343 et al., to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ \$5007, or by e-mail.

For a form to use and instructions on how to c-mail comments to the Commission, go to http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact the Consumer Services Section at 602.542.4251 or 1.800.222.7000.

Unless you are already a party to this docket, if you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention
The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than June 24, 2011, and send a copy of the motion to the Company or its counsel and to all parties of record. Your motion to intervene must contain the following:

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- Your name, address, and telephone number, and the name, address, and 1, telephone number of any party upon whom service of documents is to be made, if not yourself;
- A short statement of your interest in the proceeding (e.g., a customer of 2. the Company, a shareholder of the Company, etc.); and
- A statement certifying that you have mailed a copy of the motion to 3_ intervene to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before June 24, 2011. All parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law. For information about requesting intervention, go to http://www.szcc.gov/divisions/atilities/forms/interven.pdf. The granting of intervention entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. Intervenors' direct testimony and supporting exhibits must be prefiled with the Commission on or before July 26, 2011, as set forth in the Commission's procedural order issued April 27, 2811. Failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative by contacting the ADA Coordinator, Shaylin Bernal, sabernal@azce.gov, voice phone number 602.542.3931. Requests should be made as early as possible to allow time to arrange the accommodation.

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IT IS FURTHER ORDERED that the Company shall mail to each of its customers in th Anthem/Agua Fria Wastewater district, and to each of the homeowners' associations located in th Anthem/Agua Fria Wastewater district, a copy of the above notice by First-Class U.S. Mail, wit mailing to be completed no later than May 20, 2011.

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IT IS FURTHER ORDERED that the Company shall file certification of mailing as soon a practicable after the mailing and publication have been completed.

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IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing notwithstanding the failure of an individual customer to read or receive the notice.

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IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rule 26 31 and 38 and A.R.S. § 40-243 with respect to the practice of law and admission pro hac vice.

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IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Arizon

Supreme Court Rule 42). Representation before the Commission includes appearances at all hearing and procedural conferences, as well as all Open Meetings for which the matter is scheduled fit discussion, unless counsel has previously been granted permission to withdraw by the Administrativ Law Judge of the Commission.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorize Communications) continues to apply to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that the time periods specified herein shall not be extende pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amena or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling a hearing.

DATED this 27⁴² day of April, 2011.

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19 Craig A. Marks

10645 North Tatum Blvd., Ste. 200-676

Copies of the foregoing mailed/delivered this _27 de day of April, 2011 to:

21 Phoenix, AZ 85028

Attorney for Arizona-American Water Co.

Judith M. Dworkin

23 Roxanne S. Galiagher SACKS TIERNEY PA

24 4250 North Drinkwater Blvd., 4th Floor Scottsdale, AZ 85251-3693

25 Attorney for Anthem Community Council

26 Lawrence V. Robertson, Jr. P.O. Box 1448

27 Tubac, AZ 85646-1448

Attorney for Anthem Community Council

Daniel Pozefaky, Chief Counsel RESIDENTIAL UTILITY CONSUMER OFFICE 1110 West Washington Street, Suite 220 Phoenix, AZ 85007

Larry Woods, President
PROPERTY OWNERS AND
RESIDENTS ASSOCIATION
13815 East Camino Del Sol
Sun City West, AZ 85375

ADMINISTRATIVE LAW JUDGE

W.R. Hansen 12302 West Swallow Drive Sun City West, AZ 85375

Greg Patterson 916 West Adams Street, Suite 3 2 Phoenix, AZ 85007 Attorney for Water Utility Ass'o of Arizona 3 Jeff Crockett Robert Metli SNELL & WILMER One Arizona Center 400 East, Van Buren Street Phoenix, AZ 85004-2202 Attorneys for the Resorts 7 8 Andrew M. Miller Town Attorney TOWN OF PARADISE VALLEY 6401 E. Lincoln Drive 10 Paradise Valley, AZ 85253 11 Bradley J. Herrema Robert J. Saperstein 12 **BROWNSTEIN HYATT** PARBER SCHRECK, LLP 13 21 East Carillo Street Santa Barbara, CA 93101 14 Attorneys for Anthom Golf and Country Club 15 Marshall Magruder P.O. Box 1267 16 Tubec, AZ 85646-1267 17 Michele L. Van Quathem 18 RYLEY CARLOCK & APPLEWHITE, PA One North Central Avenue, Suite 1200 Phoenix, AZ 85004 Attorneys for DMB White Tank LLC 20 Larry D. Woods 21 15141 West Horseman Lane Sun City West, AZ 35375 22 Joan S. Burke 23 LAW OFFICE OF JOAN S. BURKE 1650 North First Avenue Phoenix, AZ 85003 Attorney for Certe Bella Golf Club 25 26 Philip H. Cook 10122 West Signal Butte Circle 27 Sm City, AZ 85373

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Janice Alward, Chief Counsel Legal Division ARIZONA CORPORATION COMMISSION 1200 West Washington Street Phoenix, AZ 85007

Steve Olea, Director Utilities Division ARIZONA CORPORATION COMMISSION 1200 West Washington Street Phoenix, AZ 85007

ARIZONA REPORTING SERVICE, INC. 2200 N. Central Ave, Suite 502 Phoenix, AZ 85004-1481